

Dur Hospitality Company
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Unaudited)**

For the three and nine month periods ended on 30 September 2021

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

For the period ended 30 September 2021

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**Independent Auditor's Review Report on the Interim Condensed Consolidated Financial Statements
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company)**

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Dur Hospitality Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2021, and the related interim condensed consolidated statement of comprehensive income for the three and nine month periods ended 30 September 2021, and the interim condensed consolidated statements of changes in equity and cash flows for the nine month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

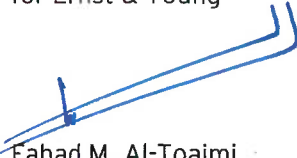
Basis for Qualified Conclusion:

As stated in note (23.C) to the interim condensed consolidated financial statements, the Company is disputing the validity of two interest rate swap agreements ("the agreements") with a local financial institution. The Company filed a lawsuit (the "Lawsuit") against the financial institution before the Committee for the Resolution of Securities Disputes (the "Committee") in the Kingdom of Saudi Arabia. As at 30 September 2021, the lawsuit is still pending with the Committee, and the final outcome of this lawsuit cannot currently be reliably predicted. As at 30 September 2021, the accumulated realized losses and fair value losses from these agreements amounted to SR 13.6 million and SR 61.6 million, respectively (31 December 2020: the accumulated realized gains and fair value losses amounted to SR 7.7 million and SR 90.7 million, respectively) and have not been accounted for in these interim condensed consolidated financial statements. Had these losses been accounted for in the interim condensed consolidated financial statements, the net income for the three and nine month periods ended 30 September 2021 would be higher by SR 746 thousand and SR 7.8 million, respectively (for the three and nine month periods ended 30 September 2020: net income would be lower by SR 1.2 million and SR 50.1 million, respectively) and the net equity as at 30 September 2021 would be lower by SR 75.2 million (31 December 2020: SR 83 million).

Qualified Conclusion:

Based on our review, and except for the effects of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young


Fahad M. Al-Toaimi
Certified Public accountant
License No. (354)



Riyadh: 5 Rabi' al-Thani 1443H
(10 November 2021)

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	<i>Notes</i>	30 September 2021 (Unaudited) SR	31 December 2020 (Audited) SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	95,947,128	94,828,467
Trade receivables	6	142,341,369	116,940,868
Prepayment and other current assets	7	108,266,881	130,722,204
Inventories		18,385,583	18,820,195
TOTAL CURRENT ASSETS		364,940,961	361,311,734
NON-CURRENT ASSETS			
Investments at fair value through other comprehensive income		1,942,322	1,942,322
Investments in equity accounted investees	9	12,582,378	12,570,128
Right to use assets	8	264,376,593	279,408,479
Property and equipment	10	2,669,407,655	2,698,425,010
Projects under construction	11	139,803,275	124,946,460
TOTAL NON-CURRENT ASSETS		3,088,112,223	3,117,292,399
TOTAL ASSETS		3,453,053,184	3,478,604,133
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade payables		36,303,441	36,368,079
Accrued and other current liabilities	12	163,842,612	169,247,660
Amounts due to related parties		37,446,616	37,974,216
Term loans - current portion	13	294,097,227	209,537,984
Dividend payable	17	43,971,005	44,259,209
Lease liabilities - current portion	14	21,258,466	29,433,114
Provision for zakat	15	11,980,552	13,323,298
TOTAL CURRENT LIABILITIES		608,899,919	540,143,560
NON-CURRENT LIABILITIES			
Term loans – non-current portion	13	740,552,555	824,367,448
Provision for employees' terminal benefits		59,503,944	59,915,810
Lease liabilities – non-current portion	14	354,813,672	356,447,344
TOTAL NON-CURRENT LIABILITIES		1,154,870,171	1,240,730,602
TOTAL LIABILITIES		1,763,770,090	1,780,874,162
EQUITY			
Capital	16	1,000,000,000	1,000,000,000
Statutory reserve		500,000,000	500,000,000
Consensual reserve		143,002,490	143,002,490
(Accumulated losses) retained earnings		(6,753,302)	1,384,928
Revaluation reserve of investment at fair value through other comprehensive income		(5,057,678)	(5,057,678)
Total equity attributable to shareholders of the Parent Company		1,631,191,510	1,639,329,740
Non-controlling interests		58,091,584	58,400,231
TOTAL EQUITY		1,689,283,094	1,697,729,971
TOTAL LIABILITIES AND EQUITY		3,453,053,184	3,478,604,133

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the three and nine months periods ended 30 September 2021

	Notes	<i>For the three-month period ended</i>		<i>For the nine-month period ended</i>	
		<i>30 September 2021 SR</i>	<i>30 September 2020 SR</i>	<i>30 September 2021 SR</i>	<i>30 September 2020 SR</i>
Revenue					
Hospitality income	18	85,253,425	69,089,920	237,113,857	241,099,589
Rental income		31,463,558	30,133,902	92,542,462	90,077,456
Management fees		282,803	364,235	1,085,487	1,270,946
Total revenue		116,999,786	99,588,057	330,741,806	332,447,991
Direct costs	19	(102,821,160)	(85,182,302)	(301,553,774)	(272,163,816)
Gross Profit		14,178,626	14,405,755	29,188,032	60,284,175
Expenses					
Selling and marketing		(584,331)	(246,520)	(1,103,354)	767,907
General and administrative	20	(8,969,108)	(7,634,281)	(21,307,326)	30,320,052
TOTAL EXPENSES		(9,553,439)	(7,880,801)	(22,410,680)	(31,087,959)
OPERATING INCOME		4,625,187	6,524,954	6,777,352	29,196,216
Financial charges of term loans	13	(5,800,421)	(8,235,844)	(17,408,365)	(21,367,843)
Financial charges on lease liabilities	8	(3,763,534)	(3,936,985)	(10,911,088)	(11,810,954)
Other income (expenses), net	21	235,583	(665,773)	17,210,361	1,639,492
Share of net results of investments in equity accounted investees		-	(600,000)	-	(1,238,937)
Loss before zakat		(4,703,185)	(6,913,648)	(4,331,740)	(3,582,026)
Zakat	15	(1,445,879)	(1,486,501)	(4,115,137)	(4,459,503)
Net loss for the period		(6,149,064)	(8,400,149)	(8,446,877)	(8,041,529)
Total comprehensive loss for the period		(6,149,064)	(8,400,149)	(8,446,877)	(8,041,529)
Attributable to:					
Equity holders of the Parent		(6,268,869)	(8,409,897)	(8,138,230)	(7,469,124)
Non-controlling interests		119,805	9,748	(308,647)	(572,405)
		(6,149,064)	(8,400,149)	(8,446,877)	(8,041,529)
Earnings per share:					
Basic and diluted earnings per share attributable to equity holders of the parent	22	(0.06)	(0.08)	(0.08)	(0.07)

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine-month period ended 30 September 2021

	Notes	Share Capital SR	Statutory reserve SR	Consensual reserve SR	(Accumulated losses)/ retained earnings SR	Revaluation reserve of investment at fair value through other comprehensive income SR	Total SR	Non- controlling interests SR	Total equity SR
<u>For the nine-month period ended 30 September 2021</u>									
As at 31 December 2020 (audited)		1,000,000,000	500,000,000	143,002,490	1,384,928	(5,057,678)	1,639,329,740	58,400,231	1,697,729,971
Total comprehensive loss for the period		-	-	-	(8,138,230)	-	(8,138,230)	(308,647)	(8,446,877)
At 30 September 2021 (unaudited)		1,000,000,000	500,000,000	143,002,490	(6,753,302)	(5,057,678)	1,631,191,510	58,091,584	1,689,283,094
<u>For the nine-month period ended 30 September 2020</u>									
As at 31 December 2019 (audited)		1,000,000,000	500,000,000	143,002,490	98,399,490	-	1,741,401,980	50,346,543	1,791,748,523
Total comprehensive loss for the period		-	-	-	(7,469,124)	-	(7,469,124)	(572,405)	(8,041,529)
Net movement for the period		-	-	-	-	-	-	(2,200,800)	(2,200,800)
Dividends	17	-	-	-	(50,000,000)	-	(50,000,000)	-	(50,000,000)
At 30 September 2020 (unaudited)		1,000,000,000	500,000,000	143,002,490	40,930,366	-	1,683,932,856	47,573,338	1,731,506,194

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the nine-month period ended 30 September 2021

		<i>For the nine-month period ended</i>	
		<i>30 September 2021</i>	<i>30 September 2020</i>
		<i>SR</i>	<i>SR</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(unaudited)</i>
OPERATING ACTIVITIES			
Loss before zakat		(4,331,740)	(3,582,026)
Adjustments for:			
Provision for expected credit losses, net	20	(2,340,336)	4,796,696
Depreciation of right of use assets	8	11,727,800	12,650,484
Depreciation of property and equipment	10	73,059,461	65,426,565
Provision for slow moving inventories		37,940	834,360
Employees' end of service benefits		6,970,305	7,049,624
Gain on sale of property and equipment		(172,841)	-
Financial charges on term loans		17,408,365	11,607,943
Financial charges on lease liabilities		10,911,088	7,147,554
Share of results of investments in equity accounted investees		-	1,238,937
		<u>113,270,042</u>	<u>107,170,137</u>
Changes in operating asset and liability:			
Trade receivables		(23,060,165)	(36,606,293)
Prepayment and other current assets		22,455,323	11,112,203
Advance for rent	-		(821,807)
Inventories		396,672	1,888,224
Trade payables		(64,638)	4,295,846
Accrued and other current liabilities		(5,405,048)	(6,808,464)
Amounts due to related parties		527,600	(200,600)
		<u>108,119,786</u>	<u>80,029,246</u>
Cash from operation			
Zakat paid	15	(5,457,883)	(4,977,621)
Employee end of service benefits paid		(5,772,993)	(6,299,942)
Net cash flows from operating activities		<u>96,888,910</u>	<u>68,751,683</u>
INVESTING ACTIVITIES			
Additions to property and equipment	10	(48,694,817)	(17,553,088)
Additions to projects under construction	11	(16,864,919)	(47,313,630)
Additions to investments in equity accounted investees	9	(12,250)	-
Payments for lease liabilities		(17,547,288)	(15,097,554)
Proceeds from sale of property and equipment		370,000	-
Net cash flows used in investing activities		<u>(82,749,274)</u>	<u>(79,964,272)</u>
FINANCING ACTIVITIES			
Proceeds of term loans, net		14,182,143	57,139,775
Dividends payable paid to shareholders		(288,204)	(50,000,000)
Net movement in non-controlling interest		-	(2,200,800)
Finance charges paid		(26,914,914)	(11,607,943)
Net cash flows used in financing activities		<u>(13,020,975)</u>	<u>(6,668,968)</u>
Net increase (decrease) in cash and cash equivalents		1,118,661	(17,881,557)
Cash and cash equivalents at 1 January		<u>94,828,467</u>	<u>135,680,579</u>
Cash and cash equivalents at 30 September		<u>95,947,128</u>	<u>117,799,022</u>

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
30 September 2021

1 GENERAL

Dur Hospitality Company (the “Company” or the “Parent Company”) is a Saudi Joint Stock Company formed under the Regulations for Companies and is registered in the Kingdom of Saudi Arabia (“KSA”) under the commercial registration number 1010010726 dated 6 Muharram 1397H (corresponding to 27 December 1976).

The Company's activities comprise of the construction, acquisition, operation, management, entering into partnership and renting of hotels, restaurants, motels, rest stops, entertainment centers, travel agencies, private and public roads and tourism areas. In addition, the activities include the acquisition, development and sale of lands and construction of buildings thereon or renting land and providing services for pilgrims and visitors to Al-Masjid al-Nabawi. The Company carries out these activities directly or jointly with others jointly or separately.

The Company has invested in the following subsidiaries which is included in these interim condensed consolidated financial statements:

Subsidiaries	Share capital (SR)	Ownership (direct and indirect %)	
		30 September 2021	31 December 2020
Makkah Hotels Company Limited	165,600,000	99.44%	99.44%
Saudi Hotel Services Company Limited	70,000,000	70%	70%
Alnakheel for Tourist Areas Company Limited	59,250,000	98.73%	98.73%
Nuzul Shada Hospitality Company	40,000,000	60%	60%
Tabuk Hotels Company Limited	27,300,000	97.14%	97.14%
Jude Alia Company Limited	100,000	100%	100%
Almasdar Alamny Company Limited	100,000	95%	95%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	95%	95%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100,000	100%	100%
Dara Oasis Company Limited (One Person Company)	100,000	100%	100%
Almashrouat Almethaleyah Real Estate Company (One Person Company)	100,000	100%	100%
Alsarh Alaniq Operation and Maintenance Company (One Person Company)	100,000	100%	100%

The following are details of the subsidiaries and their activities:

Makkah Hotels Company Limited

Makkah Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 4031011879 dated 20 Ramadan 1402H (corresponding to 12 July 1982 and is engaged in hotel hospitality activity. The Company owns Makarem Ajyad Hotel in Makkah.

Saudi Hotel Services Company Limited

Saudi Hotel Services Company is a Saudi limited liability company and is registered under the commercial registration number 1010010454 dated 11 Dhul-Qadah 1396H (corresponding to 4 November 1976). The company owns Crown Plaza - Riyadh Palace Hotel.

Alnakheel for Tourist Areas Company Limited

Alnakheel for Tourist Areas Company Limited is a Saudi limited liability company and is registered under the commercial registration number 4030092204 dated 22 Jumad Thani 1413H (corresponding to 17 December 1992). The company owns Makarem Alnakheel Hotel and Resort in Jeddah.

Dur Hospitality Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 September 2021

1 GENERAL (Continued)

Nuzul Shada Hospitality Company

Nuzul Shada Hospitality Company is a Saudi limited liability company and is registered under the Commercial Registration number 4030166369 dated 8 Muharram 1428H (corresponding to 27 January 2007). The company is engaged in general construction of residential buildings, management and leasing of owned and leased real estate (residential), and management and leasing of real estate owned or leased (non-residential).

Tabuk Hotels Company Limited

Tabuk Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 3550006303 dated 5 Rabi Thani 1406H (corresponding to 17 December 1985). The company owns Holiday Inn Tabuk Hotel.

Jude Alia Company Limited

Jude Alia Company Limited is a Saudi limited liability company and is registered under the commercial registration number 1010428949 dated 25 Safar 1436H (corresponding to 17 December 2014). The principal activities of the company include building and construction.

Almasdar Alamny Company Limited

Almasdar Alamny Company Limited is a Saudi limited liability company and is registered under the commercial registration number 1010433370 dated 16 Rajab 1436H (corresponding to 5 May 2015). The company is engaged in providing special civil security guard services in KSA pursuant to the Public Security letter number (3/1078413) dated 28 Rajab 1435H (corresponding to 27 May 2014).

Al Sawaed Al Kareemah Investment and Real Estate Development Company

Al Sawaed Al Kareemah Investment and Real Estate Development Company is a Saudi limited liability company and is registered under the commercial registration number 1010437489 dated 26 Dhul-Qadah 1436H (corresponding to 10 September 2015). The company is engaged in construction, transportation, storage, refrigeration, financial and business services, as well as tourist accommodation services pursuant to the license of the Saudi Commission for Tourism and National Heritage No. (37/0096/F) dated 6 Safar 1437H (corresponding to 18 November 2015).

Sofraa Al Ewaa Hospitality Company

Sofraa Al Ewaa Hospitality Company is Saudi One Person limited liability company and is registered under commercial registration number 1010901133 dated 27 Safar 1439H (corresponding to 16 November 2017). The company is engaged in providing hospitality services, establishment of restaurants, hotels and exhibitions.

Dara Oasis Company Limited

Dara Oasis Company Limited is a Saudi One Person limited liability company and is registered under commercial registration number 1010901132 dated 27 Safar 1439H (corresponding to 16 November 2017). The company is engaged in providing tourism activities.

Almashrouat Almethaleyah Real Estate Company

Almashrouat Almethaleyah Real Estate Company (one person company) is a Saudi limited liability company registered under CR No. 1010596957 on 30 Muharram 1441H (corresponding to 29 September 2019). The main activity of the company is the management and leasing of owned or leased residential and non-residential properties.

Alsarh Alaniq Operation and Maintenance Company

Alsarh Alaniq operation and maintenance Company (one-person company) is a Saudi limited liability company registered under CR No. 1010596958 on 30 Muharram 1441H (corresponding to 29 September 2019). The main activity of the company is cleaning of new buildings after construction.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
30 September 2021

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and measurement

These interim condensed financial statements for the three and nine-month periods ended 30 September 2021 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia.

The Company has prepared the interim condensed financial statements on the basis that it will continue to operate as a going concern. The board of directors are of the opinion that there are no material uncertainties that may affect this assumption. They concluded that there is a reasonable expectation that the Company has sufficient resources to continue as a going concern for the foreseeable future, not less than 12 months after the end of the interim condensed financial statements period.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s consolidated financial statements as at and for the year ended 31 December 2020.

These interim condensed consolidated financial statements are prepared under the historical cost. The interim condensed consolidated financial statements are presented in Saudi Riyals.

2.2 Basis of consolidation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2021. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

The Group controls an investee when the Group is exposed to or has the rights to the majority of the variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power over the investee. Subsidiaries are consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that the Company ceases control. The results of subsidiaries acquired or disposed of during the year, if any, are included in the interim condensed consolidated statement of income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Non controlling interests represent the portion of net income and net assets related to interests which, directly or indirectly, are not held by the Company and its subsidiaries and are presented separately in the interim condensed consolidated statement of comprehensive income and within equity in the interim condensed consolidated statement of financial position, separately from parent shareholders' equity.

Unrealized gains and losses resulting from transactions between the inter-Group are eliminated upon preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.3 Changes in significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but are not yet effective. Other several amendments and interpretations apply for the first time in 2021, but we do not have a material impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs addressing the effects of financial reporting upon the replacement of (“IBOR”) with an alternative nearly risk-free interest rate (an “RFR”). The amendments include the following practical expedients:

- A practical expedient that requires contractual changes, or changes in cash flows that are directly required by reform, to be treated as changes in the variable interest rate, equivalent to the movement in the market rate of interest.
- Permit changes required by IBOR reform to be made to hedge the designations and hedge documents without discontinuing the hedging relationship.
- Provide a temporary relief for companies from having to separately meet specific requirements when an RFR instrument is designated as a hedge of the risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Company. The company intends to use practical expedients in future periods if they become applicable.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
30 September 2021

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, management has made estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing. The differences arising on revisions to estimates are recognized prospectively.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below the Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on Discounted Cash Flow model ("DCF"). The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Impairment of trade receivables

The Group has applied the standard's simplified approach of impairment in accordance with IFRS 9 and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Provision for employees' end of service benefits

The Employees' defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, a DBO is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

Useful lives and residual values of property and equipment

Any change in the estimated useful life or depreciation pattern will be accounted for prospectively.

Going concern

These interim condensed consolidated financial statements have been prepared under the going concern basis. The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

4 OPERATING SEGMENTS

The Group has the following three strategic divisions, which represents its reportable segments. These segments offer different services and are managed separately because they have different economic characteristics – such as trends in sales growth, rates of return and level of capital investment – and have different marketing strategies.

The following summary describes the operations of each reportable segment:

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4 OPERATING SEGMENTS (Continued)

- Hospitality** : represents hotels owned by the Group and revenues generated through them whether these hotels are operated by the Group or by a third party.
Property management : represents management and operation of hotels and properties that are not owned by the Group.
Property rental : represents properties owned by the Group which are leased to others. These properties comprise residential compounds and commercial complexes.
Others : represents corporate office and other support services departments.

Following is a summary of certain financial information as of and for the two periods ended 30 September 2021 and 2020:

<i>30 September 2021</i> <i>SR</i>	<i>Hospitality</i>	<i>Property management</i>	<i>Property rental</i>	<i>Others</i>	<i>Eliminations</i>	<i>Total</i>
Revenue from external customers	237,113,857	1,085,487	92,542,462	-	-	330,741,806
Inter-segment revenue	10,545,898	-	8,870,884	-	(19,416,782)	-
Segments costs	(209,336,562)	(2,442,833)	(89,774,379)	-	-	(301,553,774)
Segments gross (loss) profit	27,777,295	(1,357,346)	2,768,083	-	-	29,188,032
Depreciation of property and equipment and right of use assets	65,674,357	-	17,071,567	2,041,337	-	84,787,261
Property and equipment	984,100,542	-	1,590,752,931	94,554,182	-	2,669,407,655
Right to use assets	245,260,280	-	19,116,313	-	-	264,376,593
Projects under construction	94,616,257	-	45,187,018	-	-	139,803,275
Segment total assets	1,896,081,180	-	1,461,372,858	95,599,146	-	3,453,053,184
Segment total liabilities	277,544,813	-	1,486,225,277	-	-	1,763,770,090
<i>30 September 2020</i> <i>SR</i>		<i>Property management</i>	<i>Property rental</i>	<i>Others</i>	<i>Eliminations</i>	<i>Total</i>
Revenue from external customers	241,099,589	1,270,946	90,077,456	-	-	332,447,991
Inter-segment revenue	1,345,226	13,273,295	3,020,661	-	(17,639,182)	-
Segments costs	(242,180,100)	(3,250,045)	(26,733,671)	-	-	(272,163,816)
Segments gross (loss) profit	(1,080,511)	(1,979,099)	63,343,785	-	-	60,284,175
Depreciation of property and equipment and right of use assets	59,454,577	-	15,368,102	3,254,370	-	78,077,049
Property and equipment	905,389,160	-	1,454,071,290	87,370,069	-	2,446,830,519
Right to use assets	263,175,854	-	20,093,031	-	-	283,268,885
Projects under construction	264,936,300	-	99,581,250	-	-	364,517,550
Segment total assets	1,944,872,379	-	1,481,397,335	87,370,069	-	3,513,639,783
Segment total liabilities	291,926,298	-	1,490,207,291	-	-	1,782,133,589

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4 OPERATING SEGMENTS (Continued)

Reconciliation of information on reportable segments to loss before zakat of the Group:

	<i>For the nine-month period ended</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
Segments gross profit	29,188,032	60,284,175
Un-allocated amounts:		
Selling and marketing expenses	(1,103,354)	(767,907)
General and administrative expenses	(21,307,326)	(30,320,052)
Finance charge on term loans	(17,408,365)	(21,367,843)
Financial charges on lease liabilities	(10,911,088)	(11,810,954)
Other income, net	17,210,361	1,639,492
Share of net results of equity accounted investees	-	(1,238,937)
	<hr/>	<hr/>
Total un-allocated amounts	(33,519,772)	(63,866,201)
	<hr/>	<hr/>
Loss before Zakat	(4,331,740)	(3,582,026)
	<hr/>	<hr/>

5 CASH AND CASH EQUIVALENTS

	<i>30 September</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
Bank balances	94,141,097	77,916,977
Short-term deposits (a)	1,000,000	16,000,000
Cash on hands	806,031	911,490
	<hr/>	<hr/>
	95,947,128	94,828,467
	<hr/>	<hr/>

(a) Short term deposits represent Murabaha deposits with local commercial banks and the maturity average of those deposits ranges between 30 to 90 days and bears an average Murabaha commission of 25 basis points. Financial income for the period ended 30 September 2021 amounted SR 209,493 (30 September 2020: SR 319,746).

(b) As at 30 September 2021, the Group has available cash on hand amounting SR 364,4 million including unwithdrawn cash from the cash loans granted (31 December 2020: SR 307.5 million).

(c) The transactions mentioned in note (23-C) as at 30 September 2021, a credit account in US dollar amounting to SR 13,6 million from the financial institution (31 December 2020: debit balance of SR 7.7 million) and the Company did not recognize such account in these interim condensed consolidated financial statements as it is disputing the validity of two interest rate swap agreements.

6 TRADE RECEIVABLES

	<i>30 September</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
Trade receivables	165,795,574	143,386,661
Provision for expected credit losses	(23,454,205)	(26,445,793)
	<hr/>	<hr/>
	142,341,369	116,940,868
	<hr/>	<hr/>

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7 PREPAYMENTS AND OTHER CURRENT ASSETS

	<i>30 September 2021 SR</i>	<i>31 December 2020 SR</i>
Advance for rent (note (a) below)	58,818,607	58,818,607
Prepayments	12,063,869	12,565,446
Amounts due from related parties	10,264,312	2,367,809
Supplier advances	7,228,761	37,326,870
Employees' advances	3,398,760	2,977,907
Advance payment for real estate projects	1,796,104	5,383,841
others	14,696,468	11,281,724
	108,266,881	130,722,204

- (a) Advance for rent represents a payment to lease a hotel building in Makkah Al-Mukaramah for period a of three and a half years. The Company terminated the lease contract during 2020 and the amount is being recovered from the lessor, and accordingly, the entire advance payment is classified under current assets. The title deed to the hotel land owned by the lessor is pledged for the benefit of the Company as a security for the advance.

8 RIGHT TO USE ASSETS

The Group leases several assets including lands and buildings. Details about the assets leased by the Group are as follows:

<i>30 September 2021</i>	<i>Lands SR</i>	<i>Buildings SR</i>	<i>Total SR</i>
Cost:			
At 1 January	54,974,210	258,865,070	313,839,280
Lease adjustments (note (a) below)	(3,617,956)	(17,036,399)	(20,654,355)
Additions during the period (note (b) below)	-	17,350,269	17,350,269
At 30 September	51,356,254	259,178,940	310,535,194
Depreciation:			
At 1 January	4,238,169	30,192,632	34,430,801
Charge for the period	1,548,879	10,178,921	11,727,800
At 30 September	5,787,048	40,371,553	46,158,601
Net Book Value:			
As at 30 September 2021	45,569,206	218,807,387	264,376,593

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8 RIGHT TO USE ASSETS (Continued)

<i>31 December 2020</i>	<i>Lands SR</i>	<i>Buildings SR</i>	<i>Total SR</i>
Cost:			
At 1 January	51,342,270	263,671,549	315,013,819
Additions during the year	3,631,940	-	3,631,940
Lease adjustments (note (a) below)	-	(4,806,479)	(4,806,479)
At 31 December	<u>54,974,210</u>	<u>258,865,070</u>	<u>313,839,280</u>
Depreciation:			
At 1 January	1,290,192	15,580,517	16,870,709
Charged for the year	2,947,977	14,612,115	17,560,092
At 31 December	<u>4,238,169</u>	<u>30,192,632</u>	<u>34,430,801</u>
Net book value:			
As at 31 December 2020	<u>50,736,041</u>	<u>228,672,438</u>	<u>279,408,479</u>

- (a) Lease adjustments represent changes made to lease payments and terms agreed upon with the lessor.
- (b) The additions during the period represent the effect resulting from renting a new hotel building by the Group.
- (c) The leases do not include guarantees given by the Group against the residual value of the assets. There are no leases that the Group has committed to and the properties have not been delivered to the Group.

9 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

Equity accounted investees:

	<i>30 September 2021 %</i>	<i>31 December 2020 %</i>	<i>30 September 2021 SR</i>	<i>31 December 2020 SR</i>
Saudi Company for Heritage Hospitality	25	25	8,427,839	8,427,839
Al Madinah Hotels Company limited	50	50	4,142,289	4,142,289
Al-Madina Tower Real Estate Company (*)	49	-	12,250	-
			<u>12,582,378</u>	<u>12,570,128</u>

- (*) Dur Hospitality Company has entered into a partnership agreement with Awqaf Investment Company (the investment arm of the The General Authority for Awqaf), which provides for the formation of Al-Madina Tower Real Estate Company (the associate). The associate has leased a plot of land in the central area of Madinah from the General Authority for Awqaf for the purpose of developing a 5-star hotel, which will be operated by the Hotel operation arm of Dur Hospitality Company under the "Makarem Brand". The project will be financed in accordance with capital ownership of each of the parties, provided that the financing to cover the requirement of the project in an amount not exceeding SR 250 million.

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10 PROPERTY AND EQUIPMENT

The estimated useful life of the assets for the calculation of depreciation is:

Buildings	50-75 years	Motor vehicles	4years
Building improvements	5-10 years	Devices and equipment	5 - 10 years
Furniture	10 years	Elevators and central air conditioning	40 year

<i>30 September 2021</i>	<i>Lands</i> <i>SR</i>	<i>Buildings</i> <i>SR</i>	<i>Building</i> <i>improvements</i> <i>SR</i>	<i>Furniture</i> <i>SR</i>	<i>Motor vehicles</i> <i>SR</i>	<i>Machinery</i> <i>and equipment</i> <i>SR</i>	<i>Elevators and</i> <i>central air</i> <i>conditioning</i> <i>SR</i>	<i>Total</i> <i>SR</i>
Cost:								
At 1 January	738,422,519	2,127,035,874	137,403,102	379,519,249	7,421,172	168,217,036	113,134,640	3,671,153,592
Additions	5,650,000	30,219,659	3,637,262	3,667,575	-	5,490,401	29,920	48,694,817
Disposals	-	-	(3,345,686)	(490,800)	(63,000)	(374,511)	-	(4,273,997)
Transferred from projects under construction (note 11)	-	-	-	1,762,565	-	245,539	-	2,008,104
Adjustments (a)	-	(6,676,468)	-	-	-	-	-	(6,676,468)
At 30 September	<u>744,072,519</u>	<u>2,150,579,065</u>	<u>137,694,678</u>	<u>384,458,589</u>	<u>7,358,172</u>	<u>173,578,465</u>	<u>113,164,560</u>	<u>3,710,906,048</u>
Depreciation:								
At 1 January	-	532,794,363	89,707,338	243,725,507	6,943,661	63,171,011	36,386,702	972,728,582
Charge for the period	-	31,156,599	7,011,654	18,032,656	125,176	14,209,797	2,523,579	73,059,461
Disposals	-	-	(3,345,686)	(413,128)	(63,000)	(255,024)	-	(4,076,838)
Adjustments (a)	-	(212,812)	-	-	-	-	-	(212,812)
At 30 September	<u>-</u>	<u>563,738,150</u>	<u>93,373,306</u>	<u>261,345,035</u>	<u>7,005,837</u>	<u>77,125,784</u>	<u>38,910,281</u>	<u>1,041,498,393</u>
Net Book Value:								
As at 30 September 2021	<u>744,072,519</u>	<u>1,586,840,915</u>	<u>44,321,372</u>	<u>123,113,554</u>	<u>352,335</u>	<u>96,452,681</u>	<u>74,254,279</u>	<u>2,669,407,655</u>

(a) During the period ended 30 September 2021, the Company re-estimated certain cost items of the projects by SR 6.6 million.

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10 PROPERTY AND EQUIPMENT (Continued)

<i>At 31 December 2020</i>	<i>Lands SR</i>	<i>Buildings SR</i>	<i>Building improvements SR</i>	<i>Furniture SR</i>	<i>Motor vehicles SR</i>	<i>Machinery and equipment SR</i>	<i>Elevators and central air conditioning SR</i>	<i>Total SR</i>
Cost:								
At 1 January	738,422,519	1,940,405,492	121,035,645	345,570,237	7,291,889	120,482,739	107,291,738	3,380,500,259
Additions	-	9,216,855	2,367,457	3,230,671	129,283	14,561,413	485,700	29,991,379
Disposals	-	(583,837)	-	(1,797,898)	-	(237,967)	(69,940)	(2,689,642)
Transferred from projects under construction (note 11)		177,997,364	14,000,000	32,516,239	-	33,410,851	5,427,142	263,351,596
At 31 December	738,422,519	2,127,035,874	137,403,102	379,519,249	7,421,172	168,217,036	113,134,640	3,671,153,592
Depreciation:								
At the beginning of the year	-	495,248,368	81,886,199	223,528,949	6,783,210	47,749,492	32,821,869	888,018,087
Charge for the year	-	38,129,832	7,821,139	21,994,456	160,451	15,659,486	3,634,773	87,400,137
Disposals	-	(583,837)	-	(1,797,898)	-	(237,967)	(69,940)	(2,689,642)
At 31 December	-	532,794,363	89,707,338	243,725,507	6,943,661	63,171,011	36,386,702	972,728,582
Net Book Value:								
As at 31 December 2020	738,422,519	1,594,241,511	47,695,764	135,793,742	477,511	105,046,025	76,747,938	2,698,425,010

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11 PROJECTS UNDER CONSTRUCTION

Movement of projects under construction:

	<i>For the nine- month period ended 30 September 2021 SR</i>	<i>For the year ended At 31 December 2020 SR</i>
At beginning of period / year	124,946,460	319,425,744
Additions during the period/year	16,864,919	68,872,312
Transfers to property and equipment (note 10)	(2,008,104)	(263,351,596)
At end of period / year	<u>139,803,275</u>	<u>124,946,460</u>

- (a) The projects under construction mainly represent the cost of constructing new hotels and renovating existing hotels in addition to other projects. This item includes contractors' costs in addition to project management expenses, design expenses, and other miscellaneous expenses.
- (b) The transfers to property and equipment during the period ended 30 September 2021 mainly represent the construction cost of the Shada Cordoba project.
- (c) Transfers into property and equipment during the year ended 31 December 2020 mainly represent the cost of construction of Holiday Inn Al-Jubail hotel building, Tuwaiq residential project, Al-Wadi Residential Project and renovation of the Marriott Airport Hotel and Al Awwal Plaza.
- (d) The amount of borrowing costs capitalized for the period ended 30 September 2021 was SR 573 thousand (the year ended 31 December 2020: SR 2.8 million). The rate used to determine the amount of borrowing costs eligible for capitalization is the interest rate of the weighted average borrowings.

12 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<i>30 September 2021 SR</i>	<i>31 December 2020 SR</i>
Revenue received in advance	68,573,060	60,775,152
Payable to contractors	20,835,550	40,158,492
Payable retentions to contractors	18,154,853	23,092,253
Accrued staff benefits	18,099,485	18,890,906
Accrued service-related expenses	17,676,093	7,647,964
Other accrues expenses	20,503,571	18,682,893
	<u>163,842,612</u>	<u>169,247,660</u>

13 TERM LOANS

The Group has secured term loans in the form of Murabaha financing with a total value of SR 1,034 million (31 December 2020: SR 1.033 million) which accrue Murabaha commission at market prevailing rates. These financing are secured by order notes and assignment of proceeds from Darraq project rentals.

Loan agreements include covenants mainly related to maintaining certain leverage ratios, total debt to equity and other covenants. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met. The Group was compliant with the facility covenants as at 30 September 2021 and 31 December 2020.

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13 TERM LOANS (Continued)

Following is a summary of the term loans:

	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
Term loans – current portion	294,097,227	209,537,984
Term loans – non-current portion	740,552,555	824,367,448
	<u>1,034,649,782</u>	<u>1,033,905,432</u>

14 LEASE LIABILITIES

The minimum lease payments for the years subsequent to the date of the interim condensed consolidated statement of financial position are as follows:

	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
<i>Maturity analysis - contractual undiscounted cash flows</i>		
Within one year	18,600,896	27,994,118
One to five years	144,506,836	149,486,691
Later than five years	414,226,645	432,881,040
Total undiscounted lease liabilities	<u>577,334,377</u>	<u>610,361,849</u>

The present value of the net lease payments is as follows:

	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
<i>Lease liabilities included in the interim condensed consolidated statement of financial position</i>		
Current portion of obligations under leases	21,258,466	29,433,114
Noncurrent portion of obligations under leases	354,813,672	356,447,344
	<u>376,072,138</u>	<u>385,880,458</u>

15 ZAKAT

The Company and its subsidiaries file their Zakat returns individually based on their financial statements. Therefore, Zakat base is identified and calculated for the Company and its subsidiaries individually, and total estimated Zakat is presented in the consolidated statement of income for the Group.

Movement in zakat provision:

	<i>For the three-month period ended</i>		<i>For the period / Year ended</i>	
	<i>30 September 2021</i>	<i>30 September 2020</i>	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
At beginning of period / year	10,534,673	11,164,857	13,323,298	13,169,475
Provided during the period/year	1,445,879	1,486,501	4,115,137	7,579,300
Paid during the period/year	-	-	(5,457,883)	(7,425,477)
At end of period / year	<u>11,980,552</u>	<u>12,651,358</u>	<u>11,980,552</u>	<u>13,323,298</u>

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15 ZAKAT (Continued)

Zakat status:

The Company and its subsidiaries filed their Zakat returns with the Zakat, Tax and Customs Authority ("ZATCA") for all years up to 2020 and paid the Zakat payable and obtained the unrestricted Zakat certificates.

The zakat status of the Company for the years up to 2018 has been finalized, with the exception of the amount of SR (861) thousand, which is related to the year 2015 and the company objected to the revised assessment raised by the ZATCA, which is still under the review with the General Secretariat of the Tax Committees.

In October 2021, the company received the amended zakat assessments from the ZATCA for the years 2019-2020, where the Authority demands the company for an additional zakat of SR (5.1) million for these two years, and the company is now studying and analyzing these assessments to start objection procedures.

16 SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each (31 December 2020: 100 million shares of SR 10 each).

17 DIVIDENDS DECLARATION AND APPROVAL

On 18 February 2020, the Board of Directors recommended cash dividends of SR 50 million (SR 0.50 per share) for the year ended 31 December 2019, which was approved at the General Assembly in its meeting held on 26 April 2020.

As at 30 September 2021, current liabilities include the balance of dividends payable amounting to SR 43,9 million (2020: SR 44.3 million), which represents amounts due to shareholders for dividends in previous years that were not claimed by them as at the date of the interim condensed consolidated statement of financial position.

18 HOSPITALITY INCOME

	<i>For the three-month period ended</i>		<i>For the nine-month period ended</i>	
	30 September	30 September	30 September	30 September
	2021	2020	2021	2020
	SR	SR	SR	SR
Hospitality Services - Rooms	60,547,349	47,423,323	166,829,285	164,609,254
Foods and Beverages	20,257,128	18,184,443	56,553,984	63,327,177
Other Hospitality Income	4,448,948	3,482,154	13,730,588	13,163,158
	<u>85,253,425</u>	<u>69,089,920</u>	<u>237,113,857</u>	<u>241,099,589</u>

19 DIRECT COSTS

	<i>For the three-month period ended</i>		<i>For the nine-month period ended</i>	
	30 September	30 September	30 September	30 September
	2021	2020	2021	2020
	SR	SR	SR	SR
Salaries and other related expenses	31,982,901	34,154,304	109,858,006	113,393,436
Depreciation of property and equipment and the right to use assets	25,430,245	26,627,036	83,048,224	78,077,049
Food and beverage	9,962,717	4,437,857	23,729,063	19,399,887
Operation expenses	10,735,941	7,015,113	20,383,416	17,967,409
Utilities	6,864,787	6,956,448	18,369,445	16,041,291
Maintenance	2,112,375	1,538,908	8,185,484	6,390,299
Marketing	2,224,714	2,106,249	7,710,936	8,076,135
Services and operation Fees	1,821,776	844,341	6,252,352	3,261,697
Travel agency commissions and credit cards	1,934,939	826,113	4,526,636	2,927,855
Other	9,750,765	675,933	19,490,212	6,628,758
	<u>102,821,160</u>	<u>85,182,302</u>	<u>301,553,774</u>	<u>272,163,816</u>

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20 GENERAL AND ADMINISTRATION EXPENSES

	<i>For the three-month period ended</i>		<i>For the nine-month period ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Salaries and other related expenses	4,416,948	4,297,470	14,155,176	14,401,319
Professional fees	642,037	926,694	1,593,395	2,440,932
Provision for doubtful debt (reversal of provision for recovered debts)	1,331,045	(272,241)	(2,340,336)	4,796,696
Depreciation of property and equipment	359,514	1,085,974	1,739,037	3,254,370
Board of Directors remunerations	874,750	787,500	2,899,250	2,362,500
Subscription	722,020	339,196	1,731,579	1,289,989
Hospitality	136,745	77,542	328,584	715,797
Other	486,049	392,146	1,200,641	1,058,449
	8,969,108	7,634,281	21,307,326	30,320,052

21 OTHER INCOME (EXPENSES), NET

	<i>For the three-month period ended</i>		<i>For the nine-month period ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Income from a contractor's settlement	-	-	9,120,000	-
Accruals no longer required	-	-	5,000,000	-
Reimbursement from ZATCA	-	-	1,799,088	-
Financing income	176,135	4,566	209,493	319,746
Delay penalties	-	-	-	708,000
Recovery of bad debts previously written off	-	(742,685)	-	-
Others, net	59,448	72,346	1,081,780	611,746
	235,583	(665,773)	17,210,361	1,639,492

22 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period are calculated by dividing net income for the period/year by the weighted average number of issued and outstanding shares of 100 million during the period.

23 COMMITMENTS AND CONTINGENCIES

(a) *Capital commitments*

For the nine months periods ended 30 September 2021, the Group has entered into capital commitments of SR 612 million (31 December 2020: SR 639 million) related to projects under construction.

(b) *Contingencies*

- For the nine-month periods ended 30 September 2021, the Group had issued outstanding letters of guarantee amounting to SR 28,5 million (31 December 2020: SR 28.5 million). These guarantees are without cash margin.
- During October 2021, the company received the revised zakat assessments from the Zakat, Tax and Customs Authority for the years 2019 and 2020, where the Authority demanded the company an additional zakat of (5.1) million riyals for these two years.

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23 COMMITMENTS AND CONTINGENCIES (continued)

(c) *Legal claim contingency*

The Company is disputing the validity of the two Interest Rate Swap derivative agreements (“the agreements”) with a local financial institution and has accordingly not accounted for these agreements in these interim condensed consolidated financial statements. The Company filed a lawsuit (“the Lawsuit”) against the financial institution before the Committee for the Resolution of Securities Disputes (“the Securities Dispute Committee”) and as of 30 September 2021, the Lawsuit was still under the review of the Securities Dispute Committee. The final outcome if this lawsuit cannot be reasonably estimated as this stage. Conversely, if there was an adverse decision related to the Lawsuit, the cumulative impact from the fair valuation of the agreements is estimated to reduce the Group net assets by SR 75.2 million as of 30 September 2021 (31 December 2020: SR 83 million). The Cumulative impact could be positively or negatively impacted according to the future changes in the fair value for these agreements.

24 INTERIM RESULTS

Interim results may not necessarily be indicative of the annual results of the Group.

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise financial asset and financial liabilities. The Group's financial assets consist of investment at fair value through other comprehensive income, trade receivables and amounts due from related parties, and its financial liabilities consist of term loans, payables, and amounts due to related parties.

The management assessed that fair value of cash and cash equivalents, investments at fair value through other comprehensive income, trade receivables, amounts due from related parties, term loans, payables and amounts due to related parties, accrued expenses, other current liabilities and lease liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

a) Financial assets

	<i>30 September 2021 SR</i>	<i>31 December 2020 SR</i>
Financial assets classified as available for sale		
Investments at fair value through other comprehensive income	<u>1,942,322</u>	<u>1,942,322</u>
Financial assets carried at amortized cost		
Cash and cash equivalents	95,141,097	93,916,977
Trade receivables	142,341,369	116,940,868
Amounts due from related parties	10,264,312	2,367,809
Total financial assets carried at amortized cost	<u>247,746,778</u>	<u>213,225,654</u>
Total financial asset	<u>249,689,100</u>	<u>215,167,976</u>
Total current financial assets	247,746,778	213,225,654
Total non-current financial assets	<u>1,942,322</u>	<u>1,942,322</u>
Total financial asset	<u>249,689,100</u>	<u>215,167,976</u>

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25 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

b) Financial liabilities

	<i>30 September 2021 SR</i>	<i>31 December 2020 SR</i>
Financial liabilities carried at amortized cost		
Trade payables	36,303,441	36,368,079
Accrued and other current liabilities	163,842,612	169,247,660
Term loans	1,034,649,783	1,033,905,432
Lease liabilities	376,072,137	385,880,458
Amounts due to related parties	37,446,616	37,974,216
Dividend payable	43,971,005	44,259,209
	<hr/>	<hr/>
Total financial liabilities carried at amortized cost	1,692,285,594	1,707,635,054
	<hr/> <hr/>	<hr/> <hr/>
Total current financial liabilities	596,919,367	526,820,262
Total non-current financial liabilities	1,095,366,227	1,180,814,792
	<hr/> <hr/>	<hr/> <hr/>
Total financial liabilities carried at amortized cost	1,692,285,594	1,707,635,054
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of the financial assets and liabilities reasonably approximate to their fair values.

26 SIGNIFICANT EVENTS

Earlier in 2020, the existence of novel coronavirus (COVID-19) was confirmed and characterized as a pandemic by the World Health Organisation (WHO) during March 2020.

The government of Saudi Arabia, consistent with many other governments around the world introduced various measures to combat the outbreak, including travel restrictions, quarantines, curfews, closure of business and other venues and lockdown of certain areas. The Company witnessed drop in revenues and hotel occupancy rates once the curfew was implemented, however, occupancy rates started to increase once restrictions were lifted.

The extent to which the pandemic impacts Group's business and operations is ascertainable but the financial impact over the next 12 months cannot be measured reliably as it depends on various current factors and future developments, that the Group may not be able to estimate reliably during the current year. These factors include virus transmission rate, duration of the outbreak, advent of new waves of the virus, precautionary actions that may be taken by the authorities to control the spread and impact of those actions on economic activity, impact to the businesses of the Company's customers, etc.

Considering the challenges of the uncertainty around the extent and duration of business and economic impact, management is monitoring the situation with a continued focus on ensuring guest safety, sustainability of supply chain, maintenance of sufficient liquidity and safety of employees. Further, management has taken several steps to mitigate the effects of the pandemic, including costs reduction measures.

In view of the above, management has made certain estimates and assumptions and any future change in assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amounts of assets or liabilities affected in the future years. As the situation continues to evolve, management will continue to assess the impact based on prospective developments.

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27 SUBSEQUENT EVENTS (Continued)

- a) The Company's board of directors agreed on 2 Dhul Qa'adah 1442H (corresponding to 12 June 2021) to start initial discussions with Taiba Investments Company to study the merger of the two companies, noting that these discussions do not necessarily mean that the merger process will take place between the two parties. In the event that the merger is agreed upon, it will be subject to the conditions and approvals of the relevant regulatory authorities in the Kingdom of Saudi Arabia and the approval of the extraordinary general assembly of both companies. The Company is currently in the process of appointing financial and legal advisors to assess the structure and feasibility of the proposed merger.
- b) As disclosed in note (15), during October 2021, the company received the revised zakat assessments for the years 2019 and 2020.
- c) Subsequent to the date of the interim condensed consolidated financial statements, the Board of Directors proposed to transfer the balance of the statutory reserve of SR 143 million to retained earnings. This will be subject to the approval of the annual general assembly in its upcoming meeting.

27 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved on 4 Rabi' al-Thani 1443H (corresponding to 9 November 2021).